

secured by the lien, and the loan agreement between the mortgagor, the mortgagee and the Secretary.

Mortgagee. (See section 255(b)(2) of NHA).

Mortgagor means each original borrower under a mortgage. The term does not include successors or assigns of a borrower.

Principal limit means the maximum disbursement that could be received in any month under a mortgage, assuming that no other disbursements are made, taking into account the age of the youngest mortgagor, the mortgage interest rate, and the maximum claim amount. Mortgagors over the age of 95 will be treated as though they are 95 for purposes of calculating the principal limit. The principal limit is used to calculate payments to a mortgagor. It is calculated for the first month that a mortgage could be outstanding using factors provided by the Secretary. It increases each month thereafter at a rate equal to one-twelfth of the mortgage interest rate in effect at that time, plus one-twelfth of one-half percent per annum, if the mortgage was executed on or after May 1, 1997. If the mortgage was executed before May 1, 1997, the principal limit increases each month at a rate equal to one-twelfth of the expected average mortgage interest rate plus one-twelfth of one-half percent per annum. The principal limit may decrease because of insurance or condemnation proceeds applied to the mortgage balance under § 209.209(b) of this chapter.

Principal residence means the dwelling where the mortgagor maintains his or her permanent place of abode, and typically spends the majority of the calendar year. A person may have only one principal residence at any one time.

Secretary. (See 24 CFR 5.100).

[54 FR 24833, June 9, 1989; 54 FR 32060, Aug. 4, 1989, as amended at 59 FR 50464, Oct. 3, 1994; 60 FR 42759, Aug. 16, 1995; 61 FR 36266, July 9, 1996; 61 FR 49032, Sept. 17, 1996; 62 FR 12953, Mar. 19, 1997]

EFFECTIVE DATE NOTE: At 61 FR 49032, Sept. 17, 1996, in § 206.3, the definition of "Principal limit" was revised, effective Jan. 5, 1997. At 61 FR 67930, Dec. 26, 1996, the effective date was delayed until May 1, 1997. At 62 FR 12953, Mar. 19, 1997, the definition of "Principal limit" was correctly revised, ef-

fective May 1, 1997. For the convenience of the user, the superseded text is set forth as follows:

§ 206.3 Definitions.

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Principal limit means the maximum disbursement that could be received in any month under a mortgage, assuming that no other disbursements are received, taking into account the age of the youngest mortgagor, the expected average mortgage interest rate, and the maximum claim amount. Mortgagors over the age of 95 will be treated as though they are 95 for purposes of calculating the principal limit. The principal limit is calculated for the first month that a mortgage could be outstanding using factors provided by the Secretary. It increases each month thereafter by one-twelfth of the expected average mortgage interest rate, plus the monthly MIP. It is used to calculate payments to a mortgagor.

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§ 206.7 Effect of amendments.

The regulations in this part may be amended by the Secretary at any time and from time to time, in whole or in part, but amendments to subparts B and C of this part shall not adversely affect the interests of a mortgagee on any mortgage to be insured for which either the Direct Endorsement mortgagee has approved the mortgagor and all terms and conditions of the mortgage or the Secretary has made a commitment to insure. Such amendments shall not adversely affect the interests of a mortgagor in the case of a default by a mortgagee where the Secretary makes payments to the mortgagor.

[60 FR 42759, Aug. 16, 1995]

§ 206.8 Preemption.

(a) *Lien priority.* The full amount secured by the mortgage shall have the same priority over any other liens on the property as if the full amount had been disbursed on the date the initial disbursement was made, regardless of the actual date of any disbursement. The amount secured by the mortgage shall include all direct payments by the mortgagee to the mortgagor and all other loan advances permitted by the mortgage for any purpose including loan advances for interest, taxes and